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Economic Research Service

November 2008

U.S. Department of Agriculture

ERS is a primary source of economic research and analysis from the U.S. Department of Agriculture, providing timely information on economic and policy issues related to agriculture, food, the environment, and rural America.



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## Commodity Markets and Trade

ERS Outlook reports provide timely analysis of major commodity markets and trade.

### This Month

- Feed
- Oil Crops
- Wheat
- Livestock, Dairy, and Poultry
- Fruit and Tree Nuts

All reports along with a calendar of future releases are available at:

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## Amber Waves

*Amber Waves* magazine covers the full range of ERS research and analysis, covering food, farming, natural resources, and rural America.

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### *Fluctuating Food Commodity Prices:*

#### *A Complex Issue With No Easy Answers*

Prices for food commodities increased sharply. Rising food demand in developing countries outpaced a general slowdown in production growth of major food commodities and demand for global stockholding has fallen. Other factors behind higher food prices include increased energy costs, demand for biofuels, a weakening U.S. dollar, adverse weather, and policy responses by some major exporting and importing countries.

### *Can Low-Income Americans Afford a Healthy Diet?*

Low-income households tend to consume less nutritious diets than other households, and on average do not meet Federal recommendations for consumption of fruit, vegetables, whole grains, and low-fat dairy products. Relative to other households, low-income households must allocate higher shares of their income and time to food if they want to consume palatable, nutritious meals. For many Americans, achieving an affordable healthy diet will require a shift from less nutritious food to nutrient-dense foods such as fruits and vegetables. *(Includes audio podcast at [www.ers.usda.gov/Podcast/HealthyDiet/HealthyDietFinal.mp3](http://www.ers.usda.gov/Podcast/HealthyDiet/HealthyDietFinal.mp3))*

### *Market Failures: When the Invisible Hand Gets Shaky*

The enormously complicated problem of deciding where and how all of society's resources might best be used is usually solved by individuals following their own self interest in markets largely free of government oversight. Markets fail when exchanges between willing buyers and sellers are impeded and efficiency is compromised. Overcoming such market failures is a role for government, but devising a solution that improves upon the status quo may not always be possible.

### *New Market Realities Affect Crop Program Choices*

Even as farmers enjoy high commodity prices and income, they face an array of risks, including high production costs and greater price volatility. Crop prices mean increased Federal crop insurance program payments but reduce the likelihood of commodity program payments based on fixed price targets. The new Average Crop Revenue Election (ACRE) program offers revenue protection, but participating farmers must forgo some benefits of traditional commodity programs.



## Using Vertically Coordinated Relationships to Overcome Tight Supply in the Organic Market

[www.ers.usda.gov/Publications/VGS/2008/10Oct/VGS32901/](http://www.ers.usda.gov/Publications/VGS/2008/10Oct/VGS32901/)

Rapid growth in the organic foods market has placed great pressure on farmers and handlers in the U.S. organic sector. Handlers are firms that produce, process, and distribute organic food. As the middlemen in the supply chain, organic handlers have been unable at times to provide as much of their final product as the market wants and have also found needed ingredients in short supply. A survey of certified organic handlers in the United States reveals that handlers widely use contracts as a means not only to procure needed ingredients but also to develop and maintain strong working relationships with their suppliers. Only a few organic handlers, however, have worked to assist farmers directly with transition to organic production.

## Rural America At A Glance, 2008 Edition

[www.ers.usda.gov/Publications/EIB40/](http://www.ers.usda.gov/Publications/EIB40/)

After several years of moderate growth, nonmetro employment growth slowed sharply in 2007 and early 2008, as did metro employment growth. Nonmetro unemployment rose in the second quarter of 2008 to the highest level in nearly 3 years. The economic slowdown that began in 2007 was widely attributed to two major factors: high energy and commodity prices and tighter credit due to the home mortgage crisis. To date, it appears that nonmetro banks have tightened credit less than metro banks have, and the subprime crisis is having less of a direct impact in most nonmetro areas than in metro areas.

In 2007, the overall poverty rate was 12.5 percent, but 18 percent of children younger than 18 were poor. Further, the poverty rate is greater for children in families living in more sparsely settled rural areas. Nonmetro children also have higher mortality rates than do their metro counterparts in all age groups, and poor children who reside in nonmetro areas tend to have higher rates of obesity, injury, socioemotional difficulty, and moderate to severe health conditions than do poor metro children.



## USDA's 85th Agricultural Outlook Forum Global Agriculture & Rural America in Transition Food & Energy: Expectations & Realities

February 26-27, 2009  
Crystal Gateway Marriott Hotel  
Arlington, Virginia

Join us for USDA's annual Forum as the Secretary of Agriculture and government, farm, and industry leaders discuss the future of American agriculture. The 2-day conference rate is \$350 if booked and paid by January 23, 2009. Register for the Forum now: [www.usda.gov/oce/forum/](http://www.usda.gov/oce/forum/)

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